

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 11/17/2010

GAIN Report Number:

Dominican Republic

Post: Santo Domingo

The Dominican Republic and CAFTA DR Triumphs and Struggles

Report Categories:

Country/Regional FTA's

Approved By:

Margie Bauer, Agricultural Attaché

Prepared By:

Vincent Hofer, IAIP FAS Intern

Report Highlights:

This report will highlight the triumphs and struggles of the CAFTA-DR agreement in the Dominican Republic after it was ratified in March 2007, and what has been the impact of this successes and challenges for U.s. Interests.

Introduction

CAFTA-DR was ratified in the Dominican Republic (D.R.) in March 2007, and the tariff reductions were retroactively applied beginning in 2006. Thus, being in the fifth year of tariff reductions and CAFTA-DR implementation in the Dominican Republic, what has been the impact? Is U.S.-D.R. agricultural trade up or down? Are U.S. products more competitive and more accessible? Has the Government of the Dominican Republic (GODR) abided by all the stipulations laid out in the agreement? This report will answer these questions and highlight the triumphs and struggles of the CAFTA-DR agreement in the Dominican Republic.

There is no doubt, CAFTA-DR was the most complex trade agreement the Dominican Republic had ever entered into, and negotiation and implementation required a steep learning curve for Dominican officials and executives. For this report, Post interviewed several stakeholders and cooperators to discuss the current implementation status and the challenges to future growth. The problems cited are not necessarily new, but they are necessary to mention. A successful CAFTA-DR agreement will depend on resolving the issues in the following discussion.

All the consumer-oriented-product importers interviewed mentioned a stronger presence of U.S. products and cooperators since the implementation of CAFTA-DR. As tariffs on U.S. products reached zero or have gradually decreased, importers are finding many U.S. prices to be more competitive when comparing similar products on the world market (i.e., prunes and raisins from the United States versus Chile). The future decreases in tariffs should continue to make U.S. agricultural products more competitive.

Post was unsuccessful in obtaining various pieces of data from D.R. customs and OTCA (Office of Agricultural Trade) which would have added significantly more depth to the following discussion.

TRQ Management

Dominican importers are still facing problems with the uncertain announcement dates for TRQ allocations and issuance of the physical TRQ certificates by the GODR. This uncertainty leads to supply disruptions, shortage of products on the market, and excess storage costs. The trade agreement stipulates that all TRQ allocation decisions and the distribution of TRQ certificates should happen no later than 31 January each year. Unfortunately, the distribution of the certificates routinely occurs in late February, with dry beans and rice certificates as late as mid-April.

After interviews with various importers, the transparency of the TRQ allocation continues to be a perceived problem. Granted, the GODR has taken steps to improve transparency by posting the process online, but importers are still unsure how the final allocations are decided. Additionally, importers remain concerned that the TRQ allotments are in non-commercially-viable quantities. The GODR is currently conducting a survey to determine the most appropriate commercially-viable quantity for each TRQ item.

Import license for agricultural goods

U.S. exports of sensitive or basic items to the Dominican Republic continue to require a written authorization from the Minister of Agriculture, which is inconsistent with the CAFTA-DR agreement and WTO rules. Post will continue to work with the GODR to alleviate this burdensome and protective protocol, since this is one of the most limiting factors to increased U.S. exports. Importers are concerned that the strong, local agricultural groups will pressure the GODR to impose different protective measures that will yield the same results if the licenses are abolished. Even so, eliminating illegal protective measures is a top priority for Post, regardless of the form.

Trade Capacity Building

CAFTA-DR is the first U.S. trade agreement that includes a trade capacity building (TCB) commitment to provide technical assistance and training to enhance trade. USDA's TCB program is primarily focused on sanitary and phytosanitary (SPS) technical assistance. Since 2006, over 750 D.R. officials and private sector participants have benefitted from USDA TCB activities. One advantage of this assistance has been greater market access for U.S. products because of more transparent and predictable SPS regulatory systems in the Dominican Republic.

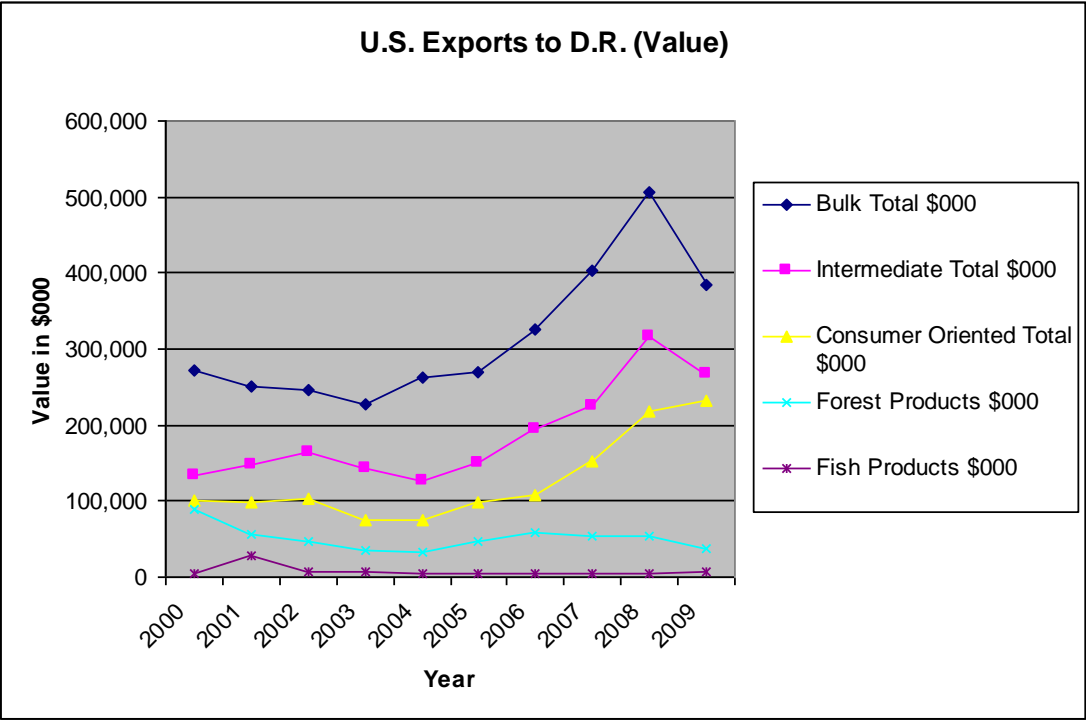
As for the D.R. customs division, importers have noticed a substantial decrease in processing time at the port. Some importers interviewed insisted the increase in customs efficiency began before the signing of CAFTA-DR. Nevertheless, TCB programs through the USG have been executed to help update the internal computer systems and methods of monitoring, which have clearly helped customs' efficiency. A substantial improvement in the quality of data originating from D.R. customs is also evident, allowing for more precise analysis.

Agricultural trade between the Dominican Republic and the United States

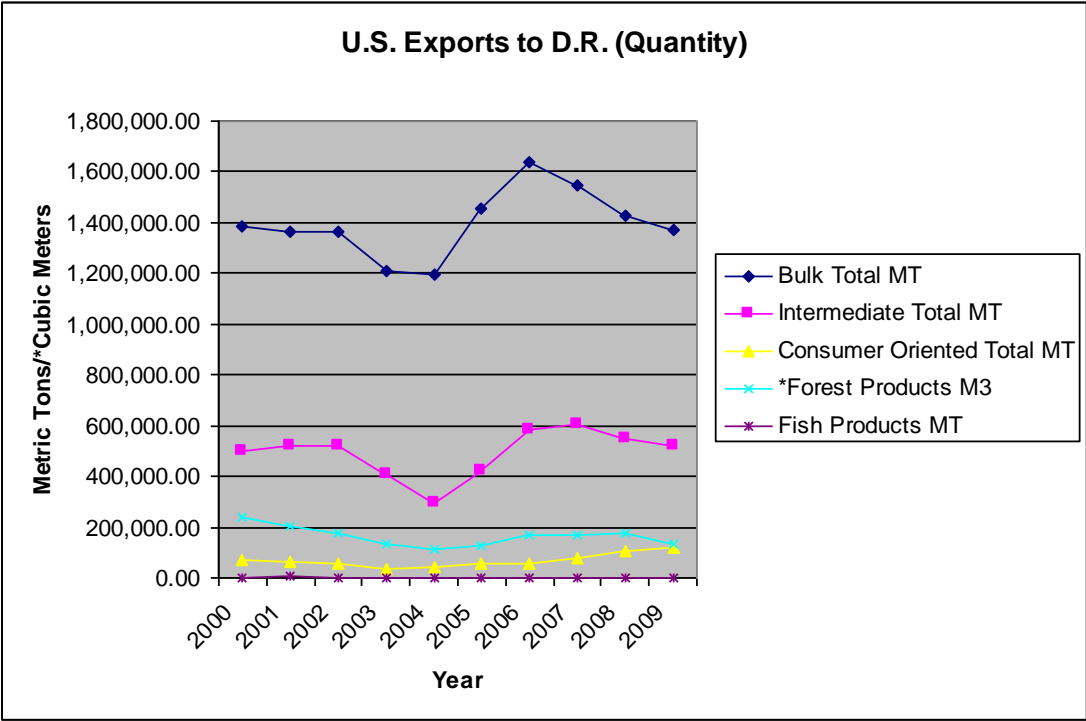
Analyzing the success of an extensive trade agreement, such as CAFTA-DR, based on 2007-09 trade data would clearly lead to imperfect conclusions. However, looking at the agricultural trade data between the United States and the Dominican Republic for the past 10 years shows some interesting trends, whether or not CAFTA-DR is the impetus.

Graphs 1 and 2 below show U.S. agricultural exports to the Dominican Republic based on value and quantity, respectively. High commodity prices in 2008 are evident within the value chart for many of the categories, while the quantity graph paints a fairly different picture. Since 2003, consumer oriented exports have seen a rise both in value and quantity, with sharp rises since the ratification of CAFTA-DR in 2007.

Graph 1: U.S. Exports to D.R. (Value)

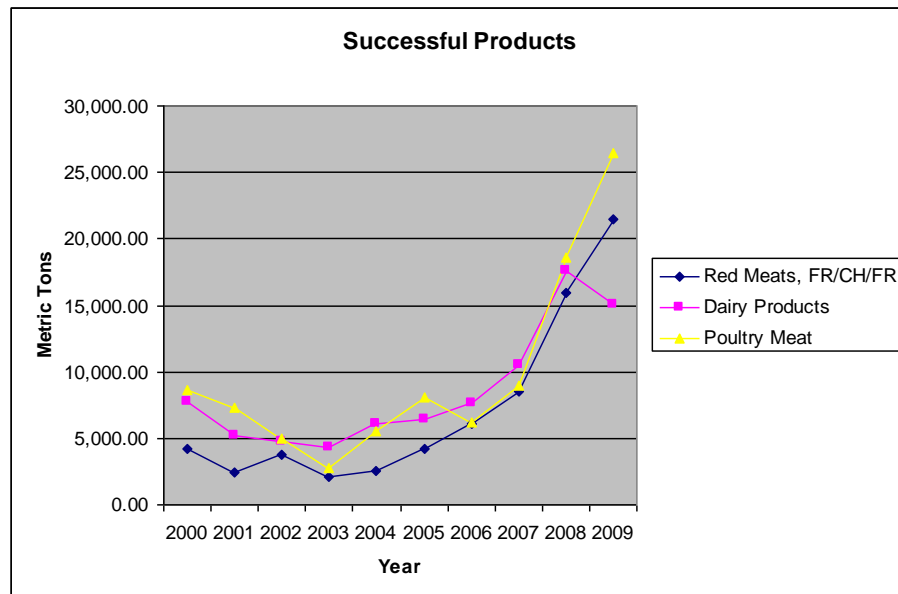


Graph 2: U.S. Exports to D.R. (Quantity)



A few individual items have shown substantial growth in quantity exported since the implementation of CAFTA-DR and over the past decade; including fresh, chilled, and frozen red meats (led by pork); dairy products; and poultry meat (led by mechanically separated chicken). These items are displayed in the below graph.

Graph 3: Successful Products



Cooperator participation

One of the more evident triumphs since the implementation of CAFTA-DR has been increased cooperator interest and activities in the Dominican market. FAS and the numerous cooperators work side-by-side on promoting U.S. agricultural products. This increased participation puts more U.S. products in front of more consumers, helping to increase the U.S. existence in the marketplace. Importers have also noticed an increased U.S. presence throughout the Dominican Republic since CAFTA-DR – not only through marketing, but an overall larger role in Dominican life.

The cooperators interviewed all mentioned fairly similar triumphs and struggles. Import licenses and TRQ management were the top concerns. Furthermore, each cooperator highlighted a few companies that have markedly increased U.S. imports since the signing of CAFTA-DR; including Pata'e Palo Restaurant in Santo Domingo that requests the best U.S. meat products and latest cooking trends. Post will continue to work with the GODR to alleviate the top cooperator concerns and provide a more conducive environment for U.S. imports.

Conclusion

After five years of CAFTA-DR implementation in the Dominican Republic, there are clear triumphs and struggles. Working to eliminate the protective import license required by the D.R. Ministry of Agriculture and other forms of protectionism will be a top priority for Post. Additionally, Post will continue to work with the GODR on providing an equitable and timely allocation of TRQ items. While

the GODR has made tremendous strides in institutional development and transparency of operations within the trade arena, there are still improvements to be made.

After the signing of CAFTA-DR, cooperators have increased their presence and the presence of U.S. products in the Dominican marketplace. Their marketing efforts will continue to pay dividends, and the future decreases in tariffs should continue to make U.S. agricultural products more competitive.